

STATE OF NEW JERSEY

Board of Public Utilities

*Two Gateway Center
Newark, NJ 07102*

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|-------------------------------------|---|--------------------------------|
| IN THE MATTER OF THE APPLICATION OF |) | <u>WATER/WASTEWATER</u> |
| MIDDLESEX WATER COMPANY FOR NJEDA |) | |
| TO ISSUE UP TO \$6 MILLION OF FIRST |) | ORDER AUTHORIZING ISSUANCE AND |
| MORTGAGE BONDS AND TO REDEEM |) | REDEMPTION OF FIRST MORTGAGE |
| CERTAIN OUTSTANDING FIRST MORTGAGE |) | BONDS |
| BONDS |) | |
| |) | DOCKET NO. WF01090574 |
| |) | |

Dennis G. Sullivan, Esq., Middlesex Water Company and Norris, McLaughlin & Marcus, P. A. by Walter G. Reinhard, Esq., Somerville, New Jersey, for Middlesex Water Company.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager and, Leo M. Lim, Supervising Accountant, Office of the Economist; and Michael Gallagher, Director, Division of Water/Wastewater, on behalf of the Staff of the Board of Public Utilities.

BY THE BOARD:

Middlesex Water Company (Middlesex or Petitioner), a public utility of the State of New Jersey, by petition filed with the Board of Public Utilities (Board) on September 17, 2001, pursuant to N.J.S.A. 48:3-7, 48:3-9 and N.J.A.C. 14:1-5.9, requests authority to:

1. Redeem its Series R Bonds and pay such premiums as are required by Petitioner's Indenture of Mortgage as supplemented;
2. Borrow up to \$6 million from and make, execute and deliver to the New Jersey Economic Development Authority (NJEDA) one or more Supplemental Loan Agreements therefore and to make, execute and deliver to the NJEDA and such underwriters or a placement agent, as may be selected, Contracts of Purchase in connection therewith, if necessary, as well as such other documents as are reasonably required to perform its obligations thereunder;
3. Make, execute and deliver a Twenty-ninth Supplemental Indenture of Mortgage to First Union National Bank, as Trustee, for the purpose among other things, of describing the terms and of Petitioner's First Mortgage Bonds, Series DD (hereinafter called Series DD Bonds); and

4. Issue up to \$6 million principal amount of Series DD Bonds. Such series of Bonds are to be secured equally and ratably with Petitioner's outstanding bonds by the aforesaid Indenture of Mortgage as supplemented. The Series DD Bond is to bear interest at rate to be determined based upon the rate for the NJEDA's Bonds which is intended to be sold at a negotiated price.

Petitioner requests that the relief set forth in Paragraphs Nos. 1 through 4 above be granted by the Board without the requirement for a further Board Order as to pricing.

In order to maximize the overall savings in transactional and financial costs, Petitioner plans to redeem its outstanding tax-exempt Series R Bonds simultaneously with the proposed issuance and sale of its Series DD Bonds to the NJEDA as security for the NJEDA's loan to Petitioner of up to \$6 million. The NJEDA will issue and sell its tax-exempt Water Facilities Revenue Refunding Bonds (Middlesex Water Company Project – 2001 Series) to provide funds for the loan.

Because of the small size of the Bond, it is not likely that this issue would attract competitive bids. Therefore, the Company proposes that the NJEDA issue the Bonds through an underwriter or by a placement agent, in either case, at a price to be negotiated and requests the Board's approval for that proposal. Since the Bonds will be issued by the NJEDA by a process that assures that the best price available will be obtained and is subject to the scrutiny of the State through the Authority, the Company proposes that no further Board approval be required for the issuance of the Bonds or the issuance of the Company's bonds to the NJEDA.

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, being satisfied with the action proposed to be taken by Petitioner as indicated above and finding that the proposed transactions are to be made in accordance with law, are in the public interest, and approving the purposes thereof, HEREBY ORDERS that Petitioner be and is HEREBY AUTHORIZED to:

1. Redeem, if savings will be realized, its outstanding First Mortgage Bonds Series R and pay the stated premiums of 2% in connection therewith;
2. Borrow up to \$6 million from and make, execute and deliver to the NJEDA Supplemental Loan Agreements therefore and make, execute and deliver to the NJEDA and such underwriters or placement agent, in either case, as may be selected by negotiation Contracts of Purchase in connection therewith;
3. Issue and sell up to \$6 million principal amount of First Mortgage Bonds, Series DD; and
4. Make, execute and deliver a Twenty-ninth Supplemental Indenture of Mortgage to First Union National Bank as Trustee.

This Order is issued subject to the following provisions:

1. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner; nor as certifying that the securities

authorized to be issued and sold will be represented by tangible or intangible assets of commensurate value or investment cost.

2. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future petition or in any proceedings with respect to rates, franchises, service, financing (including method of sale of securities), accounting, capitalization, depreciation, or in any other matters affecting the Petitioner.
3. Petitioner shall submit a schedule indicating complete details of the issuance costs and the net present value savings resulting from the redemption of the Bonds, no later than sixty (60) days following the closing date for these transactions.
4. Petitioner shall furnish the Board with copies of the executed Supplemental Indentures.
5. The Bonds herein authorized to be issued shall not be redeemed at a premium, prior to maturity, without further Board approval.
6. The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised on or before July 1, 2002.

DATED: November 20, 2001

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]
CONNIE O. HUGHES
PRESIDENT

[SIGNED]
FREDERICK F. BUTLER
COMMISSIONER

[SIGNED]
CAROL J. MURPHY
COMMISSIONER

ATTEST:

[SIGNED]
HENRY M. OGDEN
ACTING BOARD SECRETARY